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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.
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09/624,732 07/25/00 SULLIVAN

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EXAMINER

ZURITA, J

ART UNIT

PAPER NUMBER

2165

DATE MAILED:

09/17/01

Please find below and/or attached an Office communication concerning this application or proceeding.

Commissioner of Patents and Trademarks

Office Action Summary	Application No. 09/624,732	Applicant(s) SULLIVAN, GERARD P.	
	Examiner James Zurita	Art Unit 2165	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136 (a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on Application filed on 25 July 2000.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-29 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-29 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claims _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are objected to by the Examiner.
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. § 119

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgement is made of a claim for domestic priority under 35 U.S.C. § 119(e).

Attachment(s)

- | | |
|---|--|
| 15) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 18) <input type="checkbox"/> Interview Summary (PTO-413) Paper No(s). _____ |
| 16) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 19) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 17) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____ | 20) <input type="checkbox"/> Other: _____ |

Detailed Action

Drawings

The drawings are objected to because of the following informalities:

The Brief Description of the Drawings found on page 3 of the application should include a description of Figure 11, entitled "Individual Representation Within Industry for All Companies in the Selected Universe."

In Fig. 3, item 42 is not mentioned in the specification.

In Fig. 4, item 62 is not mentioned in the specification.

Correction is required.

Specification

The specification is objected to because of the following informalities:

The title of the application is APPARATUS AND METHOD FOR CREATING AND MANAGING A FINANCIAL INSTRUMENT. All claims are directed to a method.

The use of the trademark STANDARD & POORS COMPUSTAT, VALUE LINE, among others, has been noted in this application. Trademarks should be capitalized wherever they appear and be accompanied by the generic terminology.

Although the use of trademarks is permissible in patent applications, the proprietary nature of the marks should be respected and every effort made to prevent their use in any manner which might adversely affect their validity as trademarks.

Figures 3 through 8 illustrate the first method of applicant's invention, as stated on lines 1-2 of page 6 of the application. Regarding Fig. 3, item 42 is not mentioned on

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page 6, although item 42 appears in the drawing of Fig. 3. The text on page 6, line 13 of the application should be corrected to insert - - go to step 42 - - prior to "skip to step 60."

Regarding Fig. 4, page 6 does not mention item 62, although item 62 appears in the drawing of Fig. 4. The text on page 6, line 23 of the application should be corrected to insert - - step 62 and then to - - prior to "step 80."

Regarding Fig. 5, described on page 7 of the specification, the drawing for Fig. 5, step 96 shows that $F_3 = (I_n - 4.5\%)$. However, the text on page 7, line 11 states that "Step 96 assigns 2.25% to (F_3) if the significance test in step 92 is passed and F_3 gained the remaining amount of the industry ($I_n - 4.5\%$)." The written description on page 7 and the flowchart drawing in Fig. 5 contradict each other. For purposes of this examination, Examiner will use the information provided in the drawing of Fig. 5, item 96. In the written description for Fig. 5, item 106 is not mentioned, although item 106 appears in the drawing of Fig. 5. The following text should be inserted at the end of line 17, page 7 - - Step 106 represents a tie between F_2 and F_3 , the second and third largest companies, and allocates a split of the remaining balance of the industry minus the 2.25% limit ($I_n - 2.25\%$) and forwarded to step 108 - -.

Regarding Fig. 7, described on page 8 of the specification, the written description on line 14, page 8, should be changed from "step 142" to - - step 182 - -. On line 14, page 8, "Step 136" should be changed to read - - Step 176 - -. These appear to be word processing mistakes, since Fig. 7 executes steps in the range of 160 to 198 and then loops back to step 40. If a computer were to execute steps 142 or 136, as

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specified on page 8, the result would be an abnormal end to the program, since the program would be executing instructions outside a boundary, creating a protection exception. On page 8, line 15, "step 182" should be changed to - - step 178 - -, since, according to the flowchart in Fig. 5, step 176 does not link to step 182.

The written description for Fig. 7 does not mention item 196, although item 196 appears in the drawing of Fig. 7. Therefore, on page 8, line 23 the following sentence should be inserted after the first period and before the sentence that begins with "Step 188 captures a clearance . . . ": - - Step 196 represents a tie between F4 and F5, the fourth and fifth largest companies, and allocates a split of the remaining balance of the industry ($I_n - 6.75\%$) and forwarded to step 198. - -

Regarding Fig. 8, the description on page 9, line 17 should be changed from "($I_n - 11.25\%$) and sent go step 246" to read - - ($I_n - 11.25\%$) in step 240 and sent to step 246- -. Line 19 should be changed from "Step 198 takes the process back to step 40" to read as follows - - Step 246 takes the process back to step 40 - -. Again, this appears to be word processing error, since Fig. 8 generally executes the range of steps from step 200 to 246 and loops back to step 40 for reiteration. Step 198 belongs to the range of steps for Fig. 7.

Regarding Fig. 10, the description found on page 3 states that "Fig. 10 illustrates an example of this invention's portfolio for the data element of common shareholders equity." The title of Fig. 10 is "Illustrative Embodiment using Common Shareholders Equity as Data Element." However, page 9, lines 20-21 states "an algorithmic example of the industries of the embodiment [are] found in figure 10. When the data processing

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system is run, the following results . . .” It is not clear whether the words *following results* refer to (a) the contents of Fig. 10, or (b) the data found on page 10 of the specification, entitled “Historical Performance of the Invention,” or (c) something else.

For purposes of this examination, Examiner will apply the corrections listed above. Applicant is encouraged to review the application for similar errors. Correction is required.

Claim Rejections - 35 USC § 112

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Claim 4 recites the limitation "said updating step" in claim 1. There is insufficient antecedent basis for this limitation in the claim. *Updating step* first introduced in claim 2. Claim 4 depends directly from claim 1.

Claim 19 recites the limitation "said set amount" in claim 12. There is insufficient antecedent basis for this limitation in the claim. *Set amount* is first introduced in claim 16. Claims 16 and 19 both depend from claim 12.

Claim Rejections - 35 USC § 102

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

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A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

Claims 1, 2, 3, 4, 5, 6, 7, 8, 28 and 29 are rejected as being anticipated by Luskin et al. (U.S. Patent 5,812,987).

As per claim 1, Luskin et al. disclose a method of allocating a portfolio investment among a population of securities held in an investment portfolio, each security of said population of securities is issued by a company of a plurality of companies, said each security having at least one corresponding data element, said method comprising the steps of:

(a) assigning said each security to a corresponding industry group of a plurality of industry groups (Col. 4, lines 19-36, Col. 5, lines 49-58, Col. 6, lines 66-74 and Col. 8, lines 8-19);

(b) summing said one corresponding data element of each of said securities assigned to said corresponding industry group to provide an industry total for said corresponding industry group (Col. 4, lines 44-50, lines 61-62 and Col. 5, lines 54-57);

(c) summing said industry total of each of said plurality of industry groups to provide said portfolio investment (Col. 4, lines 61-62); and

(d) distributing one investment portion of said portfolio investment to at least one or more of said plurality of industry groups (Col. 5, lines 1-4 and Col. 6, lines 19-32).

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As per claim 2, Luskin et al. disclose the method of claim 1, wherein there is further included the step of updating at least some of said population of securities on a periodic cycle (Col. 2, lines 39-47).

As per claim 3, Luskin et al. disclose the method of claim 2, wherein said updating step updates all of said population of securities on a fixed cycle (Col. 4, lines 64-66).

As per claim 4, Luskin et al. disclose the method of claim 1, wherein said updating step updates the securities of said plurality of industry groups on a periodic cycle (Col. 9, lines 12-21).

As per claim 5, Luskin et al. disclose the method of claim 4, wherein each industry group is updated on a different periodic cycle (Col. 6, lines 19-32).

As per claim 6, Luskin et al. disclose the method of claim 2, wherein said plurality of securities are subdivided into a plurality of editions (Col. 4, lines 19-50).

As per claim 7, Luskin et al. disclose the method of claim 6, wherein each edition of said plurality is updated on a cycle that is staggered from the cycles of the other editions of said plurality (Col. 2, lines 39-47).

As per claim 8, Luskin et al. disclose the method of claim 7, wherein each cycle is of the same length (Col. 4, lines 64-66).

As per claim 28, Luskin et al. disclose the method of claim 10, wherein said step of distributing distributes said one investment portion among all of said securities of said corresponding industry group Col. 6, lines 19-32).

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As per claim 29, Luskin et al. disclose the method of claim 28, wherein said one investment portion is allocated among all of said securities of said corresponding group proportionally to the magnitudes of each of said data elements of said securities of said corresponding industry group (Col. 5, lines 1-15).

Claims 1, 2, 3, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 28 and 29 are rejected as being anticipated by a December 4, 1998 filing with the Securities and Exchange Commission (SEC) for the INDUSTRY LEADERS FUND, form N-1A/A, (<http://www.secinfo.com/dsvrt.75W9.htm#uqs>, SEC Files 333-62893, 811-08989, Accession Number 950130-98-5798, hereinafter referred to as *the SEC 19981204 filing*. Page and line numbers are from the N-1A/A).

As per claim 1, the SEC 19981204 filing discloses a method of allocating a portfolio investment among a population of securities held in an investment portfolio, each security of said population of securities is issued by a company of a plurality of companies, said each security having at least one corresponding data element, said method comprising the steps of:

(a) assigning said each security to a corresponding industry group of a plurality of industry groups (Page 12, lines 12-17, and lines 28-29).

(b) summing said one corresponding data element of each of said securities assigned to said corresponding industry group to provide an industry total for said corresponding industry group (Page 12, lines 31-32)

(c) summing said industry total of each of said plurality of industry groups to provide said portfolio investment (Page 12, lines 31-32 where the total accumulated for

each industry group can be added to a pre-initialized data field holding the total for the portfolio as a whole. At the end of the execution of the computer program, the field will contain the total for the portfolio. Applicant admits this on page 15 of the SEC 19981204 filing, where he further discloses specified percentages (3%, 14% and 25%) of said *fund portfolio total* that would be allocated to any one industry. Percentages and proportions of a part can be calculated only in relation to an entire universe. This accumulation is normally done at each control break in a computer program. Control breaks are basic features in computer programming, and every computer language has data fields; the *fund portfolio total* field can be defined in the DSECT (Data Section) in an IBM assembler language program, in the WORKING-STORAGE section of a COBOL program, or as a global variable in C or C++ programs.

(d) distributing one investment portion of said portfolio investment to at least one or more of said plurality of industry groups (Page 12, lines 38-43).

As per claim 2, the SEC 19981204 filing discloses the method of claim 1, wherein there is further included the step of updating at least some of said population of securities on a periodic cycle [Page 12, line 39 (monthly), page 15, line 43 (other cycles)].

As per claim 3, the SEC 19981204 filing discloses the method of claim 2, wherein said updating step updates all of said population of securities on a fixed cycle [Page 12, line 39 (monthly), page 15, line 43 (other cycles)].

As per claim 9, the SEC 19981204 filing discloses the method of claim 1, wherein said one investment portion of said corresponding industry group is equal to a

proportion of said industry total of said corresponding industry group to said portfolio investment (Page 12, lines 34-43). The SEC 19981204 filing, page 15, further discloses specified percentage limits (3%, 14% and 25%) of said fund portfolio total that would be allocated to any one industry. Percentages and proportions can be calculated only in relation to an entire universe.

As per claim 10, the SEC 19981204 filing discloses the method of claim 9, wherein said step of distributing distributes said one investment portion among a selected one or more of said securities of said corresponding industry group (Page 12, lines 34-43).

As per claim 11, the SEC 19981204 filing discloses the method of claim 10, further comprising the step of selecting at least one security of said securities assigned to said corresponding industry group that has the largest data element of said securities assigned to said corresponding industry group (Page 12, lines 34-43).

As per claim 12, the SEC 19981204 filing discloses the method of claim 11, further comprising a step of allocating a plurality of parts of said one investment proportion of said corresponding industry group to two or more of said securities of said corresponding industry group having the largest data elements (Page 12, lines 34-43).

As per claim 13, the SEC 19981204 filing discloses the method of claim 12, further comprising a step of ranking said securities of said corresponding industry group according to the magnitude of their data elements (Page 12, lines 31-32).

As per claim 14, the SEC 19981204 filing discloses the method of claim 9, wherein there is included a step of limiting said one investment portion to one security of said corresponding industry group to not exceed a set amount (Page 37, lines 1,2).

As per claim 15, SEC 19981204 filing discloses the method of claim 14, wherein said set limit is set as a second proportion of said fund total (Page 37, lines 1,2).

As per claim 16, the SEC 19981204 filing discloses the method of claim 12, wherein there is included a step of limiting one part of said plurality of parts of said one investment portion to not exceed a set amount (Page 37, lines 1,2).

As per claim 17, SEC 19981204 filing discloses the method of claim 16, wherein said set amount is set as a second proportion of said fund total (Page 15, lines 16-21).

As per claim 18, the SEC 19981204 filing discloses the method of claim 17, wherein said second proportion is 2.25% (Page 15, line 19).

As per claim 20, the SEC 19981204 filing discloses the method of claim 19, wherein there is further included a step of ranking at least two of said securities of said corresponding industry group according to the magnitude of their data elements to provide at least first and second ranked securities (Page 12, lines 31-32).

As per claim 28, the SEC 19981204 filing discloses the method of claim 10, wherein said step of distributing distributes said one investment portion among all of said securities of said corresponding industry group (Page 12, lines 33-34).

As per claim 29, the SEC 19981204 filing discloses the method of claim 28, wherein said one investment portion is allocated among all of said securities of said

corresponding group proportionally to the magnitudes of each of said data elements of said securities of said corresponding industry group (Page 12, lines 33-34).

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 19, 23 and 24 are rejected under 35 U.S.C. 103(a) as being unpatentable over Luskin et al. (U.S. Patent 5,812,987).

As per Claim 19, Luskin et al., do not disclose the method of claim 12, wherein there is included a step of comparing said one part to said set amount and, if less than or equal to said set amount, said one part is set equal to said set amount. Luskin et al. teach that over the maturity of an investment fund, the investment mix is adjusted by adjusting the percentage of available cash distributed among the portfolios P_m in each fund F_n . Over the maturity of the fund, the cash is distributed among the portfolios such that near the time horizon for the fund, the portfolios have a greater relative percentage of value invested in the lower-risk portfolios P_4 and P_5 (Col. 1, lines 1-15).

Luskin et al. teach that strategic asset class weights are used to modify the mix of assets in a fund to produce a modified asset mix for a fund. Based on this modified asset mix, assets in the fund are bought or disposed of on the open market to conform to the strategic asset mix. New investments coming into the fund (e.g., cash,

contributions, electronic funds) are also allocated according to the strategic asset mix. The strategic investment component can be repeated in order to process a plurality of funds. Strategic asset class weights are used to determine tactical investment strategy. In one embodiment, the tactical component represents 25% of the overall investment strategy of a fund (e.g., 25% of incoming cash or other investment is invested tactically), however this percentage can be modified as desired. The tactical investment component can be repeated in order to process a plurality of funds. According to Luskin et al., the tactical component is optional. Luskin et al. discuss determination of tactical investments with reference to FIG. 9 (Col. 9, lines 3-22).

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method wherein there is included a step of comparing said one part to said set amount and, if less than or equal to said set amount, said one part is set equal to said set amount. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to allow a set of industry securities to react to market conditions within a limited money range and not produce an overall effect in excess of their weight in the portfolio universe. At the same time, the percent established allows a rising industry security to achieve controlled growth and also to receive assistance should it be found that a greater amount of money invested in the particular security would bring a proportionately greater return on investment.

As per Claim 23, Luskin et al do not disclose the method of claim 16, wherein there is further included a step of setting at least first and second limits as different

whole multiples of said set amount respectively. Luskin et al. teach the application of strategic and tactical methods to fund management. For example, Luskin et al. teach that strategic asset class weights are used to modify the mix of assets in a fund to produce a modified asset mix for a fund. Based on this modified asset mix, assets in the fund are bought or disposed of on the open market to conform to the strategic asset mix. New investments coming into the fund (e.g., cash, contributions, electronic funds) are also allocated according to the strategic asset mix. The strategic investment component can be repeated in order to process a plurality of funds. Strategic asset class weights are used to determine tactical investment strategy. In one embodiment, the tactical component represents 25% of the overall investment strategy of a fund (e.g., 25% of incoming cash or other investment is invested tactically), however this percentage can be modified as desired. The tactical investment component can be repeated in order to process a plurality of funds. According to Luskin et al., the tactical component is optional. Luskin et al. discuss determination of tactical investments with reference to FIG. 9 (Col. 9, lines 3-22).

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method to further include step of setting at least first and second limits as different whole multiples of said set amount respectively. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step for industries where securities are available as bulk purchases. While some funds invest solely on corporate stock, other funds may be more willing to invest in company issued debentures, or government bonds. Some of

these purchases may require investment of set amounts that are not needed in more atomized markets.

As per Claim 24, Luskin et al. do not disclose the method of claim 23, wherein said second limit is greater than said first limit, and there is further included the step of comparing said investment portion to said first limit and, if greater, setting said first part equal to said set amount and allocating said first part to a first security of said corresponding industry group. Luskin et al. teach the application of strategic and tactical methods to fund management. For example, Luskin et al. teach that strategic asset class weights are used to modify the mix of assets in a fund to produce a modified asset mix for a fund. Based on this modified asset mix, assets in the fund are bought or disposed of on the open market to conform to the strategic asset mix. New investments coming into the fund (e.g., cash, contributions, electronic funds) are also allocated according to the strategic asset mix. The strategic investment component can be repeated in order to process a plurality of funds. Strategic asset class weights are used to determine tactical investment strategy. In one embodiment, the tactical component represents 25% of the overall investment strategy of a fund (e.g., 25% of incoming cash or other investment is invested tactically). This percentage can be modified as desired. The tactical investment component can be repeated in order to process a plurality of funds. According to Luskin et al., the tactical component is optional. Luskin et al. discuss determination of tactical investments with reference to FIG. 9 (Col. 9, lines 3-22).

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method wherein said second limit is greater than said first limit, and there is further included the step of comparing said investment portion to said first limit and, if greater, setting said first part equal to said set amount and allocating said first part to a first security of said corresponding industry group. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit fund managers to allocate assets in terms of dollar amounts rather than percent of an industry portfolio mix, and to permit fund managers some discretion in allocating funds to industries that are temporarily out of balance and ripe for readjustment by the various money markets.

Claim 19 is rejected under 35 U.S.C. 103(a) as being unpatentable over Luskin et al., in view of the SEC 19981204 filing. As per Claim 19, Luskin et al. do not disclose the method of claim 12, wherein there is included a step of comparing said one part to said set amount and, if less than or equal to said set amount, said one part is set equal to said set amount. The SEC 19981204 filing, page 15, further discloses specified percentages (3%, 14% and 25%) of said fund portfolio total that would be allocated to any one industry. Percentages and proportions can be calculated only in relation to an entire universe. The values specified as percentages can therefore also be expressed as set amounts.

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method wherein there is included a step of comparing said one part to said set amount and, if less than or equal to said set

amount, said one part is set equal to said set amount. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to allow a set of industry securities to react to market conditions within a limited money range and not produce an overall effect in excess of their weight in the portfolio universe. At the same time, the percent established allows a rising industry security to achieve controlled growth and also to receive assistance should it be found that a greater amount of money invested in the particular security would bring a proportionately greater return on investment.

Claims 21, 22, 23, 24, 25, 26 and 27 are rejected under 35 U.S.C. 103(a) as being unpatentable over Luskin et al. in view of Fernholtz (U.S. Patent 5,819,238).

As per Claim 21, Luskin et al. do not disclose the method of claim 20, wherein there is further included a step of comparing said first ranked security with said second ranked security and, if said first ranked security is larger than said second ranked security by a certain amount, said allocating step allocates all of said one part to said first ranked security. Fernholtz teaches the concept of dynamic portfolio rebalancing, and methods for determining target weights for an asset mix, and then having a computer then issues digital trading instructions. Each instruction represents a trade of a corresponding security, to, e.g., an electronic trading network such that current assets held in the portfolio are to be distributed, upon subsequent execution of the instructions, amongst the securities in the portfolio in proportion to and as defined by the target weights so as to dynamically rebalance the portfolio. This inventive portfolio rebalancing method is periodically repeated, such as weekly, daily or at any other such

desired interval, to: analyze current changes in share price and current index composition and weightings, calculate new positions in each security held in the portfolio and issue appropriate market trade orders to appropriately update, i.e. rebalance, the portfolio holdings to reflect these new positions. As any particular security is deleted from or added to the index, the portfolio, through my inventive dynamic rebalancing process, reflects that deletion, i.e. through liquidation of any holdings in that security, or the addition, i.e. by calculating a target weighting for that security and establishing a holding therein once this target weighting reaches a sufficient, though, e.g., relatively low, level (Col. 4, line 62 – Col. 5, line 20).

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method wherein there is further included a step of comparing said first ranked security with said second ranked security and, if said first ranked security is larger than said second ranked security by a certain amount, said allocating step allocates all of said one part to said first ranked security. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit fund managers to provide support for the securities of companies that are the recognized industry group leaders. It's possible that timely investments in a particular company will serve as encourage other funds to rally around companies that otherwise are in good financial health. A split of the overall investment might dilute the overall effect of the fund's contribution to the industry as a whole.

As per Claim 22, Luskin et al. do not disclose the method of claim 21, wherein if said first ranked security is not larger than said second ranked security by said certain

amount, said allocating step allocates said one part equally among said first ranked security and said second ranked security. Fernholtz teaches the concept of dynamic portfolio rebalancing, and methods for determining target weights for an asset mix, and then having a computer then issues digital trading instructions. Each instruction represents a trade of a corresponding security, to, e.g., an electronic trading network such that current assets held in the portfolio are to be distributed, upon subsequent execution of the instructions, amongst the securities in the portfolio in proportion to and as defined by the target weights so as to dynamically rebalance the portfolio. This inventive portfolio rebalancing method is periodically repeated, such as weekly, daily or at any other such desired interval, to: analyze current changes in share price and current index composition and weightings, calculate new positions in each security held in the portfolio and issue appropriate market trade orders to appropriately update, i.e. rebalance, the portfolio holdings to reflect these new positions. As any particular security is deleted from or added to the index, the portfolio, through my inventive dynamic rebalancing process, reflects that deletion, i.e. through liquidation of any holdings in that security, or the addition, i.e. by calculating a target weighting for that security and establishing a holding therein once this target weighting reaches a sufficient, though, e.g., relatively low, level (Col. 4, line 62 – Col. 5, line 20).

Fernholtz further elaborates on his methods for dynamic rebalancing in much greater detail in Col. 15, line 49 through Col. 17, line 5. He also includes a detailed description of a Target Proportion Determination routine (Col. 21, lines 54 – Col. 23, line 3), as well as a Current Proportion Determination routine (Col. 23, lines 4 – 49).

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method wherein if said first ranked security is not larger than said second ranked security by said certain amount, said allocating step allocates said one part equally among said first ranked security and said second ranked security. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit fund managers to provide support for the securities of two companies that are recognized as the leaders in a particular industry. A timely investment in several companies may well spark similar behavior from other funds and prevent a particular industry from starting a downward slide that is more a reflection of investor confidence than or economic reality.

As per Claim 23, Luskin et al. do not disclose the method of claim 16, wherein there is further included a step of setting at least first and second limits as different whole multiples of said set amount respectively. Fernholtz teaches the concept of dynamic portfolio rebalancing, and methods for determining target weights for an asset mix, and then having a computer issue digital trading instructions (Col. 4, lines - Col. 5, line 20). Fernholtz elaborates on his methods for dynamic rebalancing in much greater detail in Col. 15, line 49 through Col. 17, line 5. He also includes a detailed description of a Target Proportion Determination routine (Col. 21, lines 54 – Col. 23, line 3), as well as a Current Proportion Determination routine (Col. 23, lines 4 – 49).

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method to further include step of setting at least first and second limits as different whole multiples of said set amount respectively.

A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step for industries where securities are available as bulk purchases. While some funds invest solely on corporate stock, other funds may be more willing to invest in company issued debentures, or government bonds. Some of these purchases may require investment of set amounts that are not needed in more atomized markets.

As per Claim 24, Luskin et al. do not disclose the method of claim 23, wherein said second limit is greater than said first limit, and there is further included the step of comparing said investment portion to said first limit and, if greater, setting said first part equal to said set amount and allocating said first part to a first security of said corresponding industry group. Fernholtz teaches the concept of dynamic portfolio rebalancing, and methods for determining target weights for an asset mix, and then having a computer issue digital trading instructions (Col. 4, lines - Col. 5, line 20). Fernholtz elaborates his methods for dynamic rebalancing in much greater detail in Col. 15, line 49 through Col. 17, line 5. He also includes a detailed description of a Target Proportion Determination routine (Col. 21, lines 54 – Col. 23, line 3), as well as a Current Proportion Determination routine (Col. 23, lines 4 – 49).

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method wherein said second limit is greater than said first limit, and there is further included the step of comparing said investment portion to said first limit and, if greater, setting said first part equal to said set amount and allocating said first part to a first security of said corresponding industry group. A

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person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit fund managers to allocate assets in terms of dollar amounts rather than percent of an industry portfolio mix, and to permit fund managers some discretion in allocating funds to industries that are temporarily out of balance and ripe for readjustment by the various money markets.

As per Claim 25, Luskin et al. do not disclose the method of claim 23, wherein if said investment portion is less than said first limit, setting said first part to less than said set amount and allocating said first part to a first security of said corresponding industry group. Fernholtz teaches the concept of dynamic portfolio rebalancing, and methods for determining target weights for an asset mix, and then having a computer issue digital trading instructions (Col. 4, lines - Col. 5, line 20). Fernholtz elaborates his methods for dynamic rebalancing in much greater detail in Col. 15, line 49 through Col. 17, line 5. He also includes a detailed description of a Target Proportion Determination routine (Col. 21, lines 54 – Col. 23, line 3), as well as a Current Proportion Determination routine (Col. 23, lines 4 – 49).

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method wherein if said investment portion is less than said first limit, setting said first part to less than said set amount and allocating said first part to a first security of said corresponding industry group. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit a fund manager to invest in an industry security that

shows promise and possibly obtain a higher return on investment than by holding uninvested fund assets in more traditional short-term cash management instruments.

As per Claim 26, Luskin et al. do not disclose the method of claim 24, wherein if said investment portion is greater than said first limit, comparing said investment portion to said second limit and, if less, setting a second part equal to said set amount and allocating said second part to a second security of said corresponding industry group. Fernholtz teaches the concept of dynamic portfolio rebalancing, and methods for determining target weights for an asset mix, and then having a computer issue digital trading instructions (Col. 4, lines - Col. 5, line 20). Fernholtz elaborates his methods for dynamic rebalancing in much greater detail in Col. 15, line 49 through Col. 17, line 5. He also includes a detailed description of a Target Proportion Determination routine (Col. 21, lines 54 – Col. 23, line 3), as well as a Current Proportion Determination routine (Col. 23, lines 4 – 49).

Nevertheless, it would have obvious to one of ordinary skill at the time the invention was made to include a method wherein if said investment portion is greater than said first limit, comparing said investment portion to said second limit and, if less, setting a second part equal to said set amount and allocating said second part to a second security of said corresponding industry group. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit fund managers to provide support for the securities of two companies that are recognized as the leaders in a particular industry. In periods where an industry is

undergoing expansion, a fund manager might prefer to invest in several industry securities as an alternative to more traditional ways of holding uninvested fund assets.

As per Claim 27, Luskin et al. do not disclose the method of claim 26, wherein if said investment portion is greater than said second limit, setting a third part equal to said set amount and allocating said third part to a third security of said corresponding industry group. Fernholtz teaches the concept of dynamic portfolio rebalancing, and methods for determining target weights for an asset mix, and then having a computer issue digital trading instructions (Col. 4, lines - Col. 5, line 20). Fernholtz elaborates his methods for dynamic rebalancing in much greater detail in Col. 15, line 49 through Col. 17, line 5. He also includes a detailed description of a Target Proportion Determination routine (Col. 21, lines 54 – Col. 23, line 3), as well as a Current Proportion Determination routine (Col. 23, lines 4 – 49).

Nevertheless, it would have obvious to one of ordinary skill at the time the invention was made to include a method wherein if said investment portion is greater than said second limit, setting a third part equal to said set amount and allocating said third part to a third security of said corresponding industry group. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit fund managers to provide support for the securities of several companies that are recognized as the leaders in a particular industry. In periods where an industry is undergoing expansion, a fund manager might prefer to invest in several industry securities as an alternative to more traditional ways of holding uninvested fund assets.

Claims 23, 24, 25, 26 and 27 are rejected under 35 U.S.C. 103(a) as being unpatentable over Luskin et al. in view of Wolfberg et al. (U.S. Patent 5,745,706).

As per Claim 23, Luskin et al. do not disclose the method of claim 16, wherein there is further included a step of setting at least first and second limits as different whole multiples of said set amount respectively. Wolfberg et al. teach the concept of spending flexibility guidelines, allowing a human fund manager or a computer program to control associated asset mixes within investment guidelines. Wolfberg et al. teach in alternative embodiments of their invention that percentages, fixed sums and dates certain may comprise alternative values, chosen by the account holder from a set of alternatives offered by the account manager. A manager may offer the account holder a set of alternative values having differing fixed sums or dates certain, each having the feature that the account holder achieves a spending flexibility service or an investment gain over other financial products, while the account manager is compensated for its financial product offering (Col. 6, lines 6-21, and more generally, Col. 6, line 54 to Col. 10, line 32). Thus, Wolfberg et al.'s spending flexibility guideline model would be applicable even while adhering to an indexed fund with an asset mix determined by industry type.

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method to further include step of setting at least first and second limits as different whole multiples of said set amount respectively. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step for industries where securities are available as bulk

purchases. While some funds invest solely on corporate stock, other funds may be more willing to invest in company issued debentures, or government bonds. Some of these purchases may require investment of set amounts that are not needed in more atomized markets.

As per Claim 24, Luskin et al. do not disclose the method of claim 23, wherein said second limit is greater than said first limit, and there is further included the step of comparing said investment portion to said first limit and, if greater, setting said first part equal to said set amount and allocating said first part to a first security of said corresponding industry group. Wolfberg discusses flexibility spending guidelines that are used to permit a fund manager to allocate funds to various asset mixes depending on a number of variables, including risk, minimum and maximum ranges for type of mix. (Col. 6, line 54 to Col. 10, line 32).

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method wherein said second limit is greater than said first limit, and there is further included the step of comparing said investment portion to said first limit and, if greater, setting said first part equal to said set amount and allocating said first part to a first security of said corresponding industry group. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit fund managers to allocate assets in terms of dollar amounts rather than percent of an industry portfolio mix, and to permit fund managers some discretion in allocating funds to industries that are temporarily out of balance and ripe for readjustment by the various money markets.

As per Claim 25, Luskin et al. do not disclose the method of claim 23, wherein if said investment portion is less than said first limit, setting said first part to less than said set amount and allocating said first part to a first security of said corresponding industry group. Wolfberg et al. teach the concept of spending flexibility guidelines, allowing a human fund manager or a computer program to control associated asset mixes within investment guidelines. Wolfberg et al. teach in alternative embodiments of their invention that percentages, fixed sums and dates certain may comprise alternative values, chosen by the account holder from a set of alternatives offered by the account manager. A manager may offer the account holder a set of alternative values having differing fixed sums or dates certain, each having the feature that the account holder achieves a spending flexibility service or an investment gain over other financial products, while the account manager is compensated for its financial product offering (Col. 6, lines 6-21, and more generally, Col. 6, line 54 to Col. 10, line 32). Thus, Wolfberg et al.'s spending flexibility guideline model would be applicable even while adhering to an asset mix determined by industry type.

Nevertheless, it would have been obvious to one of ordinary skill in the art at the time the invention was made to include a method wherein if said investment portion is less than said first limit, setting said first part to less than said set amount and allocating said first part to a first security of said corresponding industry group. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit a fund manager to invest in an industry security that

shows promise and possibly obtain a higher return on investment than by holding uninvested fund assets in more traditional short-term cash management instruments.

As per Claim 26, Luskin et al. do not disclose the method of claim 24, wherein if said investment portion is greater than said first limit, comparing said investment portion to said second limit and, if less, setting a second part equal to said set amount and allocating said second part to a second security of said corresponding industry group. Wolfberg et al. teach the concept of spending flexibility guidelines, allowing a human fund manager or a computer program to control associated asset mixes within investment guidelines. Wolfberg et al. teach in alternative embodiments of their invention that percentages, fixed sums and dates certain may comprise alternative values, chosen by the account holder from a set of alternatives offered by the account manager. A manager may offer the account holder a set of alternative values having differing fixed sums or dates certain, each having the feature that the account holder achieves a spending flexibility service or an investment gain over other financial products, while the account manager is compensated for its financial product offering (Col. 6, lines 6-21, and more generally, Col. 6, line 54 to Col. 10, line 32). Thus, Wolfberg et al.'s spending flexibility guideline model would be applicable even while adhering to an asset mix determined by industry type.

Nevertheless, it would have obvious to one of ordinary skill at the time the invention was made to include a method wherein if said investment portion is greater than said first limit, comparing said investment portion to said second limit and, if less, setting a second part equal to said set amount and allocating said second part to a

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second security of said corresponding industry group. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit fund managers to provide support for the securities of two companies that are recognized as the leaders in a particular industry. In periods where an industry is undergoing expansion, a fund manager might prefer to invest in several industry securities as an alternative to more traditional ways of holding uninvested fund assets.

As per Claim 27, Luskin et al. do not disclose the method of claim 26, wherein if said investment portion is greater than said second limit, setting a third part equal to said set amount and allocating said third part to a third security of said corresponding industry group. Wolfberg et al. teach in alternative embodiments of their invention that percentages, fixed sums and dates certain may comprise alternative values, chosen by the account holder from a set of alternatives offered by the account manager. A manager may offer the account holder a set of alternative values having differing fixed sums or dates certain, each having the feature that the account holder achieves a spending flexibility service or an investment gain over other financial products, while the account manager is compensated for its financial product offering (Col. 6, lines 6-21, and more generally, Col. 6, line 54 to Col. 10, line 32). Thus, Wolfberg et al.'s spending flexibility guideline model would be applicable even while adhering to an asset mix determined by industry type.

Nevertheless, it would have obvious to one of ordinary skill at the time the invention was made to include a method wherein if said investment portion is greater than said second limit, setting a third part equal to said set amount and allocating said

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third part to a third security of said corresponding industry group. A person of ordinary skill in the art at the time the invention was made would have been motivated to include such a step to permit fund managers to provide support for the securities of several companies that are recognized as the leaders in a particular industry. In periods where an industry is undergoing expansion, a fund manager might prefer to invest in several industry securities as an alternative to more traditional ways of holding uninvested fund assets.


Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to James Zurita whose telephone number is 703-605-4966. The examiner can normally be reached on Monday – Friday, from 8:30 am to 5:00 pm, EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Wynn Coggins, can be reached on (703) 308-1344. The fax phone number for the organization where this application or proceeding is assigned is (703) 305-9051.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703-305-3900.

JE
James Zurita
Patent Examiner
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September 3, 2001


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